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TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)
SUBJECT: DOUBLING THE IAEA BUDGET? WHERE TO PUT THE MONEY
AND HOW TO OVERCOME THE OBSTACLES

REF: A. UNVIE 0011
[1](#)B. UNVIE 0047

[1](#)1. (SBU) Summary: The Administration's stated aim of doubling the IAEA's budget has ignited high expectations within the IAEA Secretariat and high anxiety among most other Member States. Anticipating a change in U.S. approach, DG ElBaradei has instructed managers to build significant increases into their upcoming budget presentations, to be unveiled later this month. Conversely, fiscal austerity hawks among our closest allies (UK, Canada, Japan, Australia) have warned Mission officers the U.S. would find itself "isolated" among key allies should we press for significantly more resources this year. A difficult struggle in 2001-3 to increase the budget presaged the challenges we would face in (a) gaining approval among Member States to increase the regular budget and (b) ensuring resources went to high priority programs.

[1](#)2. (SBU) To ensure that any new resources for the IAEA go to U.S. priorities, Mission proposes a hybrid strategy based on a rapid doubling of extra-budgetary contributions to support nuclear security, safeguards, safety, power, and technical cooperation. This combination would serve to address U.S. nonproliferation priorities while mending relationships with developing countries bruised by past battles over safeguards in the Middle East, scrutiny of technical cooperation for Syria, and the role of the Director General. Mission also proposes launching a high-level diplomatic campaign to convince the majority of Member States to increase the regular IAEA budget by forty percent over the next several years. This initiative will take longer, but supports the IAEA's long-term health, effectiveness and bedrock programs. Finally, Mission proposes a "one-time" investment in a menu of initiatives that would not only support nonproliferation priorities, but also aid efforts to improve the Agency's performance and correct budgetary disparities between departments. Preliminary numbers are attached to each of these proposals. Overall, Mission estimates a price tag of 160 million USD in increases over several years, effectively doubling the IAEA's overall resources with emphasis on national security priorities.

[1](#)3. (SBU) Action Request: To begin progress toward a doubling of resources by 2012, or even 2020 as set out in the May 2008 report of the ElBaradei-appointed Commission of Eminent Persons, the Department must examine quickly whether first installments are affordable in 2010-2011. Negotiation of the Agency's biennial budget will begin with a Secretariat

presentation of requested levels on February 20; intensive negotiations traditionally take up the spring. Parallel to this, the Board Vice Chair will begin her own consultations keyed to the Commission of Eminent Persons report on the Future of the Agency (ref A). There too, our counterparts will be seeking a signal of U.S. intentions. End Summary. Core Activities, Basic Obstacles

¶4. (SBU) The IAEA is perennially under-funded, and several of its priority missions rely principally on funding outside the regular budget that is erratic and lacks universal support of the Agency's 146 Member States. This message aims to contribute to the Department's approach to these circumstances with a discussion of four questions: 1) What are the IAEA's core activities we seek to support? 2) What other strategic gains can be won through a budget increase? 3) What is the most effective way to increase IAEA resources - through the regular budget or targeted, extra-budgetary contributions? 4) What political, legal and organizational obstacles must we overcome?

¶5. (SBU) Any increase in IAEA resources should focus on the core U.S. priorities of strengthening the IAEA safeguards regime, preventing nuclear terrorism and ensuring that the international expansion of nuclear power occurs within a rigorous system of standards to ensure nonproliferation and safety. Most critically, the U.S. supports a strong investigative role for the IAEA, particularly at present in regards to Iran and Syria, and robust verification in the DPRK. The establishment of an IAEA-managed international nuclear fuel bank is also a U.S. priority (ref B).

¶6. (SBU) From a political perspective, increased resources could do much to restore our stature in Vienna after highly divisive, recent battles over the annual resolution on safeguards verification in the Middle East and IAEA investigations in Syria and Iran. In this respect, increased resources combined with good public diplomacy and outreach could win the day, riding a wave of expectations that others attach to the new Administration. As with many international organizations, bloc divisions also plague relations between Member States. Increased IAEA resources must take into account G-77 priorities and finance technical cooperation programs for peaceful uses of nuclear technology that will ultimately attract broad member support for our own initiatives.

¶7. (SBU) Closer to the ground, increased resources for safeguards should take forward the transformation of safeguards into an "information-driven" verification regime, not just nuclear material accountability. It should also support the modernization of safeguards technology and infrastructure for investigations and lab work. Organizational and cultural changes are also needed, to ensure that IAEA personnel are well-trained, proactive, and effective. Administrative improvements to enhance transparency and accountability are also high on Mission's agenda. Such a cultural change will hopefully flow from the arrival of a new Director General in December. As several U.S. commissions have pointed out -- including the recent Graham/Talent report -- there is ample opportunity for increased resources to modernize and improve the IAEA, ultimately leading to a safer and more secure place for the U.S. and the world. As one IAEA staff member pointed out, "there are few institutions that give the U.S. so much bang for the buck."

Mechanisms for Increasing the Level of Resources

¶8. (SBU) There are two basic ways to increase funding to the IAEA: through regular budget assessments (RB) and extra budgetary contributions (XB). RB assessments support the organization as a whole and are largely under the control of IAEA Management. These are charged annually to all 145 Member States, governed by a rates scale based on each

Member's GDP. As the largest donor, the U.S. pays 25 percent of the RB, or approximately 96 million USD for CY 2008. These assessments are paid from the State Department's Contributions to International Organizations (CIO) Account.

¶9. (SBU) Unlike RB assessments, our XB contributions are highly discretionary. They support programs that are of high priority to the U.S. but do not otherwise command sufficient resources from the RB (for political, operational or legal reasons). The U.S. contributes XB funds to the IAEA from a variety of sources, the majority being from the State Department's NADR fund (Nonproliferation, Antiterrorism, Demining and Related Programs) as well as DOE and the Nuclear Regulatory Commission (NRC). XB contributions support nuclear security, safety, power promotion and nonproliferation activities. NADR funds also support technical cooperation projects for water conservation and human health, in particular the Plan of Action for Cancer Therapy (PACT), an activity that carries goodwill among the G-77 and builds political support for U.S. nonproliferation priorities. Last year's aggregate XB contribution from the U.S. rivaled our RB contribution in total amounts.

RB versus XB -----

¶10. (SBU) RB contributions support the Agency as a whole, i.e., the IAEA as an institution - its human capital, physical infrastructure and major programs (including safeguards verification). Programs funded from the RB enjoy stable resource flows from year to year and are well positioned to engage in long-term planning. RB programs have little to fear from changes in the political tides or the whims of donors, and are less apt to be dismissed as political pawns carrying out the pet projects of rich Member States. Most importantly, RB programs enjoy the legitimacy

that comes from the support of all 146 Member States. For these reasons, UNVIE strongly supports increasing the RB and bringing U.S. priority programs in nuclear security and safety under this umbrella.

¶11. (SBU) Unfortunately, the U.S. cannot unilaterally effect an RB increase. Because of the RB scale of assessments, an increase for one Member State is an increase for all, and a majority of Members must agree to it. Each move upwards will likely require paying off the developing countries with technical cooperation while pressing for better financial stewardship and sensible investments in projects to win over the budget hawks. Early in the process, close allies who agree with us on the Agency's priorities will need to be convinced to join us in paying more for them. Allies who supported the U.S. in its past "zero growth" policy are asking aggressive questions about U.S. campaign promises and making preemptive warnings to UNVIE officers about any attempt to increase the RB. (The Australian Ambassador stated February 4 in a "like-minded" meeting that his government would not be alone in looking "aghast" at any increases during this year's budget negotiations.) Others have pointed to legal obstacles that inhibit the straightforward inclusion of many IAEA programs into the RB. Given these hindrances, UNVIE expects that any attempt to increase the RB would take some time and require extensive and high-level lobbying by U.S. officials. Fiscal realities in the current financial crisis make this challenge even tougher. Nonetheless, senior IAEA staff have confirmed to us that ElBaradei is committed to setting a trajectory that will put a growing share of safety and security activities under the RB, which will ultimately require a budget increase.

¶12. (SBU) Assuming the U.S. wishes to strengthen IAEA capabilities, XB contributions would be the logical solution to increasing resources without the long time lags and political confrontation with allies of an RB increase. Even better - most XB contributions support the programs of importance to the U.S., and are under greater U.S. control. XB contributions do not establish the legitimacy, stability and long-term institutional health gained by an RB increase,

but XB funds are quick to deploy and can wield significant public diplomacy impact if properly presented.

¶13. (SBU) Weighing the advantages and disadvantages of RB versus XB, UNVIE recommends a hybrid approach that begins with a quick and dramatic increase in annual NADR funding for nuclear security, safeguards, safety, power, and technical cooperation. At the same time, the USG should begin a high-level push to gain support from other Member States for a 40 percent increase in the RB over the next several cycles.

The combined cost of these two steps would eventually amount for the State Department to a roughly 80 million USD increase, bringing U.S. XB and RB contributions to over 200M USD annually.

¶14. (SBU) In addition, UNVIE proposes approximately 50M USD in "one-time" costs for XB initiatives that would require five years or less of attention, including an overhaul of the IAEA's main laboratory facility and funds to jump-start fuel bank operations. Finally, UNVIE proposes an additional menu of XB projects that would improve the workings of the organization and rectify RB disparities between programs. While it is difficult to estimate the cost of organizational reforms up front and without further consultation among USG interagency experts, UNVIE estimates 20M to 40M USD.

¶15. (SBU) The overall price tag for these annual and one-time increases hovers at 160M per year, effectively doubling U.S. contributions to approximately 300M USD. A notional breakdown of this proposal is included below. Additional details are contained in an informal UNVIE paper emailed to IO/T and are reflected in part in our FY-2011 Mission Strategic Plan

¶16. (U) Proposals for Annual Increases: 78M US

- Increase U.S. Contributions to the Regular Budget by 40 percent (38M increase, from 96M to 134)
- Increase NADR Funding (non TCF) by 133 percent (30M increase, from 30M to 60M)
- Increase NADR Funding for TCF by 25 percent (5M increase, from 20M to 25M)
- Establish an annual fund of 5M to support and reward Top-Performing IAEA Programs (medical applications, emergency preparedness, disease eradication, etc.)

¶17. (U) Proposals for One-Time Expenditures: 53M

- Overhaul the Safeguards Analytical Laboratory (40M)
- "Operationalize" the Nuclear Fuel Bank (8M)
- Reform the Technical Cooperation Department (5M)

¶18. (U) Strategic and Organizational Goals: 20M - 40M

- Create a CEO position to oversee IAEA program operations.
- Reorganize the Nuclear Security and Safety programs as separate departments.
- Increase RB resources for Nuclear Security and Safety. (Septel will offer more detailed UNVIE thoughts on "mainstreaming" the Nuclear Security program into the RB, building on Secretariat moves in this direction. If moving these activities into the RB proves unworkable for political or legal reasons, including the interpretation of the IAEA Statute, the two programs could be subjected to a scale of assessments along the lines of TCF.)
- Dedicate additional RB resources to administer the Nuclear Fuel Bank in addition to the \$50 million already authorized.
- Dedicate RB resources to support the Program of Action for

Cancer Therapy.

- Achieve RB increases for the Incident and Emergency Center (IEC).
- Expand the duties of the Management Division to cover all administrative support services across the Agency.
- Support the "Nuclear Renaissance" with technical training and infrastructure development for countries embarking on nuclear power programs.
- Enhance cooperation with DOE on the research and development of next generation nuclear reactors.

A Note From Past Experience

¶19. (SBU) Mission's effort to marginally increase funding for safeguards, nuclear security, and safety after September 11, 2001, foreshadows the issues we may face in the future. The 2002-03 effort raised energetic opposition and took well over a year to achieve, beginning with a letter in May 2002 by the Deputy Secretary to the Geneva Group (of major UN donors) advocating a budget increase. That opening salvo was supported by extensive technical information about safeguards activities and projections of growth in nuclear materials stocks. U.S. officials consulted closely with the IAEA Secretariat to bring about a needs assessment and budget plans, while Mission negotiated within a budget working group at the IAEA. Building support within the G-8 was central and resulted in the 2003 summit declaration including an affirmation the IAEA should be granted "the necessary means to implement its monitoring tasks." Over a year after the process began, a special meeting of the Board in July 2003 finally adopted the USD 15 million budget increase, the first in more than fifteen years.

¶20. (SBU) Some of the opposition faced during that budget exercise may be expected in any effort to more broadly increase IAEA resources. The financial situation has exacerbated the problem, and both UK and France have admitted that they may have trouble making timely payments to the Technical Cooperation Fund in 2009. The UK has also

suggested that it may retrench to a "zero nominal growth" position, with no allowances even for inflation or exchange rate fluctuations. Mexico has also become a budget hawk, thanks to its rising status in the OECD and increasing assessments. Canada locally is among the most vocal skeptics of IAEA financial management. In short, to the extent the changes we want involve increased assessments across the Agency's 146 members, some of our closest allies may require the most convincing. In other quarters, especially with developing countries and their political champions, the disagreements will be about how to distribute the funds among programs.

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